

Message Text

CONFIDENTIAL

PAGE 01 MEXICO 19235 01 OF 02 180125Z
ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00
SSO-00 USIE-00 INRE-00 PM-05 H-01 INR-07 L-03
PA-01 PRS-01 SP-02 SS-15 SSC-01 OMB-01 AID-05
COME-00 EB-08 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01
STR-05 CEA-01 /084 W
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O 180115Z NOV 77
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC IMMEDIATE 6408
INFO TREASURY WASHDC IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 MEXICO 19235

EO 11652: GDS
TAGS: EFIN MX
SUBJECT: CABINET SHIFT AND ECONOMIC POLICY

REF: MEXICO 19183

1. SUMMARY: RESIGNATIONS OF MOCTEZUMA CID AND TELLO
APPEAR DUE TO A COMBINATION OF POLICY DIFFERENCES AND
PERSONAL CONFLICTS. REPLACEMENTS HAVE CONSIDERABLE
TECHNICAL EXPERIENCE AND ARE HIGHLY REGARDED. WHILE
RESIGNATIONS DUE IN PART TO POLICY DIFFERENCES, NO SIGNIFI-
CANT CHANGES IN ECONOMIC POLICY ARE LIKELY. END SUMMARY.

2. THE RESIGNATIONS OF FINANCE MINISTER MOCTEZUMA AND
BUDGET AND PLANNING MINISTER TELLO WERE UNEXPECTED, EVEN
THOUGH RUMORS OF POLICY DIFFERENCES AND CABINET CHANGES
HAVE BEEN CIRCULATING FOR SOME TIME. BOTH DEPARTING MEN
ENJOYED LONG PROFESSIONAL RELATIONSHIPS WITH THE PRESIDENT
AND OWE THEIR CAREERS TO LOPEZ-PORTILLO, BUT RELATIONS
BETWEEN THE TWO WERE POOR.

CONFIDENTIAL

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PAGE 02 MEXICO 19235 01 OF 02 180125Z

3. THE OFFICIAL COMMUNIQUE STATES THE REASON FOR THE
CHANGE TO BE "TO LEAVE PRESIDENT LOPEZ-PORTILLO IN
LIBERTY TO MAKE DESIGNATIONS IN RELATED AREAS THAT REQUIRE
TOTAL HARMONIZATION BETWEEN THESE." WE HAVE HEARD REPORTS
OF BITTER DEBATES BETWEEN THE TWO EX-MINISTERS IN THE
PRESENCE OF THE PRESIDENT, AND A LACK OF COMMUNICATION

BETWEEN THESE TWO KEY MINISTRIES. MORE LIKELY THAN NOT, THE PRESIDENT GOT TIRED OF THEIR BICKERING AND RIGHTLY BELIEVED IT HINDERED ECONOMIC POLICY IMPLEMENTATION. FOREIGN SECRETARY ROEL TOLD THE AMBASSADOR THIS MORNING (NOVEMBER 17) THAT THERE WERE PERSONAL DIFFERENCES BETWEEN TELLO AND MOCTEZUMA GOING BACK AT LEAST TO THE CAMPAIGN AND THAT THE LATTER HAD BEEN IRRITATED AT THE TRANSFER TO TELLO'S NEW MINISTRY OF CERTAIN TREASURY FUNCTIONS AT THE BEGINNING OF THE ADMINISTRATION AS PART OF THE ADMINISTRATIVE REFORM PROGRAM. ROEL SAID NOT TO EXPECT ANY DRAMATIC FINANCIAL OR ECONOMIC POLICY CHANGES.

4. THE TWO NEW MINISTERS HAVE GOOD REPUTATIONS AS TECHNICIANS. DAVID IBARRA WAS BORN IN 1930, HAS ECONOMICS AND ACCOUNTING DEGREES FROM THE NATIONAL AUTONOMOUS UNIVERSITY OF MEXICO (UNAM), AND PURSUED STUDIES TOWARD A DOCTORATE IN ECONOMICS AT STANFORD (1959-61). HE WAS ASSOCIATED WITH THE ECONOMIC COMMISSION FOR LATIN AMERICA FROM 1961 TO 1975; AND WITH NACIONAL FINANCIERA, THE GOM-OWNED DEVELOPMENT BANK, FROM 1974 UNTIL THE PRESENT. HE WAS THE DEPUTY DIRECTOR-GENERAL OF THIS INSTITUTION UNDER GUSTAVO ROMERO KOLBECK WHOM HE REPLACED WHEN ROMERO WENT TO THE BANK OF MEXICO ON DECEMBER 1, 1976. IBARRA IS CONSIDERED FAIRLY CLOSE TO ROMERO, BUT IS PROBABLY HIS OWN MAN WHEN IT COMES TO ECONOMIC POLICY DECISIONS. HE IS LIKELY TO FALL ON THE CONSERVATIVE SIDE. IBARRA HAS PARTICIPATED IN THE U.S.-MEXICAN BILATERAL MEETINGS AT THE IDB AND IMF ANNUAL MEET-
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MEXICO 19235 01 OF 02 180125Z

INGS THIS YEAR. HE IS MARRIED AND HAS THREE CHILDREN, SUSANA (22), DAVID ARTURO (17), AND GABRIELA (15). HE SPEAKS ENGLISH.

5. RICARDO GARCIA SAINZ WAS ALSO BORN IN 1930. HE HAS NOT STUDIED ABROAD, BUT SPEAKS ENGLISH. MOST OF HIS EARLY EXPERIENCE WAS ON THE REVENUE SIDE OF TREASURY. HE HAS ALSO WORKED IN THE PRIVATE SECTOR. HE WAS REPORTEDLY CLOSELY ASSOCIATED WITH HUGO MARGAIN WHEN THE LATTER WAS FINANCE SECRETARY AND IS CONSIDERED TO BE VERY EFFICIENT. GARCIA SAINZ'S VIEWS ON ECONOMIC POLICY ARE NOT KNOWN TO THE EMBASSY AND HIS EXPERIENCE ON BOTH THE REVENUE AND SPENDING SIDES DO NOT MAKE IT EASY TO SPECULATE ON HIS ECONOMIC PHILOSOPHY. GARCIA IS KNOWN FOR HIS BRILLIANCE AND GRASP OF ECONOMIC ISSUES FACING MEXICO, BUT IS DESCRIBED BY A SOURCE AS NOT A GOOD ADMINISTRATOR.

6. WE DO NOT BELIEVE THAT THERE WILL BE ANY SIGNIFICANT CHANGES IN ECONOMIC POLICY AS A RESULT OF THESE CHANGES WHICH COME AT A KEY TIME FOR ECONOMIC POLICY DECISIONS. THE 198 BUDGET IS IN A FINAL DECISION STAGE. THE BUDGET HAS TO BE PRESENTED TO CONGRESS BY DECEMBER 15. TREASURY

AND BANK OF MEXICO SOURCES HAVE TOLD FINATT THAT PRESIDENT MADE BASIC BUDGET DECISIONS EARLIER THIS WEEK AND THAT THEY CALL FOR CONTINUED FAIRLY CAUTIOUS SPENDING. THESE SOURCES REITERATED VIEW OF SECRETARY ROEL NOTED ABOVE THAT THERE WILL NOT BE ANY SIGNIFICANT CHANGES IN ECONOMIC POLICY AS A RESULT OF THE CABINET CHANGES. CHARACTERIZING THE SIGNIFICANCE OF THE SHIFT IN A FEW WORDS, WE SUSPECT THERE WILL BE A SLIGHT NARROWING OF VIEWS ON POLICY AND THAT THE INDIVIDUALS WILL MAKE AN EFFORT TO WORK TOGETHER MORE EFFECTIVELY TO PURSUE A REASONABLY CONSERVATIVE FISCAL POLICY IN 1978. 7. AS WASHINGTON IS AWARE, THERE IS AN IMF TEAM IN MEXICO NEGOTIATING THE 1978 AGREEMENT FOR THE EXTENDED FUND FACILITY. BANK OF MEXICO AND HACIENDA SOURCES TELL US THERE IS NO CONNECTION BETWEEN THE FUND MISSION AND THE RESIGNA-
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 MEXICO 19235 01 OF 02 180125Z

TIONS, NOR SHOULD THE CHANGES RESULT IN ANY LONG DELAY IN NEGOTIATIONS WITH THE FUND. THE PRESENCE OF THIS MISSION IS A CLOSELY KEPT SECRET. SHOULD THE PRESS HEAR OF IT,

CONFIDENTIAL

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CONFIDENTIAL

PAGE 01 MEXICO 19235 02 OF 02 180127Z
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C O N F I D E N T I A L SECTION 02 OF 02 MEXICO 19235

THEY MAY TRY TO ASSOCIATE THE TWO.

8. THERE MAY BE RELATED SUB-CABINET CHANGES AS WELL, BUT THESE ARE STILL VERY UNCERTAIN. THE THREE UNDER-SECRETARIES AT TREASURY, DE LA MADRID, PICHARDO (REVENUE) AND REYES RETANA (WHO WAS IN WASHINGTON LAST WEEK) HAVE REPORTEDLY OFFERED THEIR RESIGNATIONS. IT IS NOT CLEAR WHETHER THEY WILL BE ACCEPTED. TREASURY UNDER-SECRETARY DE LA MADRID IS CONSIDERED LIKELY TO STAY, AT LEAST UNTIL THE BUDGET IS COMPLETED. DIRECTOR-GENERAL OF CREDIT ESCOBEDO MAY GO. HE HAS BEEN CRITICIZED FOR PAYING TOO HIGH A RATE FOR THE RECENT 1.2 BILLION EURO-DOLLAR CREDIT. NO SUCCESSORS WERE NAMED FOR THE FORMER JOBS HELD BY IBARRA AND GARCIA. THIS WOULD SEEM TO INDICATE THAT THE PRESIDENT'S DECISION WAS MADE IN SOME HASTE. LUCEY

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Message Attributes

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